

IT Industry Trends

New IT Growth Engines

IT R&D and International Standardization Activities

Facilitating the Growth of IT SMEs and Venture Companies

[Table 3-1] *Size of the Korean IT Industry*

(unit : Production, Domestic Sales-KRW 1Billion, import & export, trade balance-USD 1Million)

Category	1999	2000	2001	2002	2003	2004(P)
Production	117,836	148,215	150,147	188,152	201,623	225,915
Domestic Sales	101,875	130,433	136,409	171,447	176,670	189,875
Export	39,958	51,199	38,553	46,271	57,361	74,626
Import	26,539	35,472	27,918	30,851	36,426	40,781
Trade Balance	13,418	15,728	10,635	15,196	20,935	33,845

Note : 'Import' & 'Export', 'Trade Balance' are final estimates | (P)=Preliminary estimates

Source : Korea Association of Information & Telecommunication(KAIT), 2004

I. IT Service Industry

In 2004, the IT service market was stagnant due to subscriber saturation and tariff reduction in the facilities-based telecom sector. Because of growth in the value-added telecom service sector, revenue has grown slightly 3.2% from KRW 41.6 trillion in 2003 to KRW 42.9 trillion .

Korea's fixed-line telecom service market has shrunk due to shifting service demand from fixed to wireless networks, and due to fierce competition among carriers.

The sales revenue in facilities-based telecom services reached KRW 30 trillion in 2004, representing an increase of 3.7% compared to a year earlier. The fixed-line telecom service market has shrunk due to shifting service demand from fixed networks to wireless networks and fierce competition among carriers. As a result, sales revenue fell 2.3% to KRW 13.32 trillion in 2004 over a year earlier. Growing demand for mobile data communication and wireless Trunked Radio Service (TRS) fueled the sales growth of the wireless telecom segment. Its sales increased by 5.9% to KRW 16.13 trillion in 2004 over a year.

The sales revenue in resale telecom services showed a sharp annual rise until 2002. But, its sales revenue dropped in 2003, and remained constant in 2004 at KRW 1.3 trillion, showing no signs of backtrack.

The market size in value-added telecom service in Korea reached KRW 4.65 trillion in 2004. This represents an increase of 2.9% from 2003. While the sales revenue of network services went down 9.3% to KRW 462 billion year-on-year, the

IT Industry Trends

New IT Growth Engines

IT R&D and International Standardization Activities

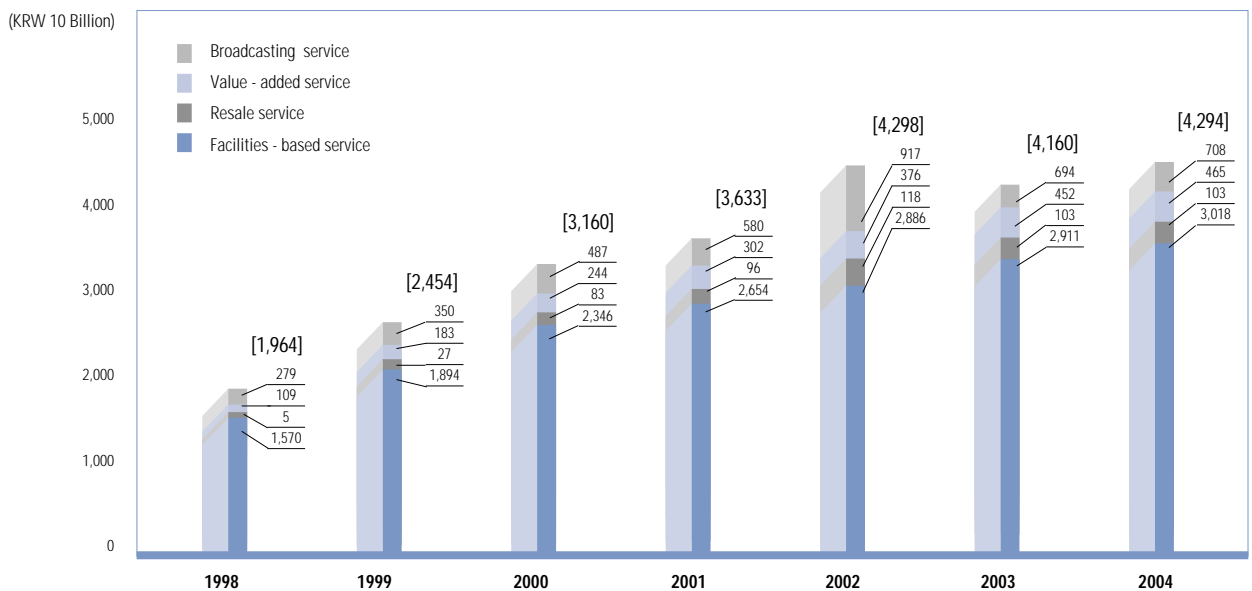
Facilitating the Growth of IT SMEs and Venture Companies

revenue in value-added application services surged to KRW 2.58 trillion, an increase of 25.9% in 2004 from the previous year.

Sales revenue in the broadcasting service market showed a 2.0% increase at KRW 7.8 trillion over the previous year. It was largely affected by a drastic 20.7% year-on-year decline in terrestrial broadcasting service revenue. The economic slowdown triggered sluggish TV commercial sales, and consequently, terrestrial broadcasting service registered a poor performance with KRW 2.85 trillion in revenue.

The number of IT service subscribers in 2004 [Table 3-2] was on the rise in the facilities-based telecom and broadcasting service sectors. Cellular and PCS services, as well as broadband Internet access, contributed to the growing subscriber base in facilities-based services while fixed TV services contributed to an increasing subscription ratio in the broadcasting service.

[Figure 3-2] *Yearly Sales Revenue of the IT Service Sector*



Note: [] is total revenue. (The sub-total of each service was rounded off.)

Source: Korea Association of Information & Telecommunication(KAIT), 2004

IT Industry Trends

New IT Growth Engines

IT R&D and International Standardization Activities

Facilitating the Growth of IT SMEs and Venture Companies

[Table 3-2] *Number of IT Service Subscribers Per Year*

(unit: 1,000 persons)

Year	2000	2001	2002	2003	2004
Facilities-based Telecom Service	57,955	71,279	103,273	110,959	118,178
Resale Telecom Service	1,332	1,729	2,325	2,423	2,423
Value-added Telecom Service	50,136	55,120	54,500	53,202	69,497
Broadcasting Service	9,992	10,326	11,435	12,548	12,552

Source : Korea Association of Information & Telecommunication(KAIT), 2004

II. IT Equipment Industry

The IT equipment industry achieved sound growth in 2004 compared to the previous year because of increased shipments to China and enhanced competitiveness of key export items like mobile phones, semiconductors, LCD monitors, and digital TVs.

The production of the IT equipment market registered a 16% growth rate to reach KRW 164.27 trillion. Domestic sales increased about 27.48% to KRW 148.15 trillion. Exports stood at USD 74.2 billion, up 29.82%. Import volume rose 12.32% and was valued at USD 40.3 billion. As a result, the trade balance of the IT equipment industry amounted to USD 33.9 billion with a 59.33% increase year-on-year.

III. Software Industry

Domestic software production in 2004 increased only 1.6% from 2003 to KRW 18.73 trillion. This was due to negative growth in computer-related and digital contents development services. These services were adversely affected by shrinking IT investment and consumer demand. However, the software industry enjoyed 110.7% growth in exports, recording USD 413 million thanks to strong demand from China and Southeast Asia.